

City of Franklin Addendum No. 1 to

Purchasing Office Solicitation No.: 2018-012

1. Solicitation identified: This Addendum No. 1 applies to the following procurement:

bad debt collection services

Purchasing Office Solicitation No.: 2018-012

2. Notice to Proposers publication date: **March 8, 2018**
3. Solicitation release date: **March 9, 2018**
4. Addendum No. 1 release date: **March 30, 2018**
5. Deadline for optional submittal in writing of questions seeking to revise or clarify any aspect of this procurement solicitation: **April 3, 2018, 2:00 p.m. Central Time**
6. Proposals submittal deadline and scheduled opening: **April 12, 2018, 2:00 p.m. Central Time**
7. Tentative date of release of City's tabulation of proposals received and notice of intent to award: **May 4, 2018**
8. Tentative date of award: Meeting of Board of Mayor and Aldermen at which is tentatively scheduled to be awarded the selection of the proposal that best meets the needs of the City: **May 22, 2018**

9. Addendum:

In reference to the City of Franklin's March 9, 2018 Purchasing Office Solicitation No. 2018-012 for bad debt collection services, the City has been asked certain questions about the solicitation by one or more vendors who are potential proposers.

The purpose of this Addendum No. 1 is to announce the City's responses to the questions that have been asked to date.

Please note that the submittal deadline and scheduled opening of all proposals received remains unchanged and is:

April 12, 2018, 2:00 p.m. Central Time

Below are the questions asked to date and the City's responses thereto:

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Q1: To how many agencies does the City intend/anticipate awarding under this RFP?

A1: One service provider.

Q2: Who are the incumbent(s) currently or agencies previously providing the listed services?

A2: Automated Collection Services, Inc.

Q3: What are/were the contingency rates charged by the incumbents or previous agencies used to perform listed services?

A3: Under the City's current arrangement and for the purpose of the City's 2018 request for proposals, all agency fees are contingent upon collections. The current collection fee charge to the customer is 20% of the unpaid balance. The collection fee retained by the agency is 20% of the collected balance. This creates a net payment to the City 96% of the base referral. The City would prefer and hereby requests a fee structure whereby the City's net equals 100% of the base referral.

Q4: What are the collection success rates (recovery rates/liquidation percentages) of the current incumbents or the previous (last) agency hired/used, by department, (i.e., Utilities, Courts, etc.)?

A4: Please refer to Exhibit 1 as attached to this Addendum No. 1, pages 1 and 2, lines I and J.

Q5: Please provide actual dollar amounts paid to any incumbent(s) or previous agencies for their last full year of service.

A5: Please refer to Exhibit 1 as attached to this Addendum No. 1, pages 1 and 2, line H.

Q6: What estimated, monthly total volume (incl. all departments) of ongoing referrals, both dollar value & number count?

A6: Please refer to Exhibit 1 as attached to this Addendum No. 1, pages 1 and 2, lines F and H, for annual total history. Estimates for the next 12 months are expected to increase. Please refer to Exhibit 1 Notes.

Q6a: Which departments will be referring the above-listed volumes?

A6a: City Court and City Utilities.

Q6b: With what frequency will the agency(ies) receive the above-listed referrals (i.e. monthly, weekly, etc.)?

A6b: Monthly.

Q7: What is the estimated age of accounts at the time of referral (90 days, etc.)? Please provide the average age by debt type / referral, if applicable (i.e., utilities vs. courts, etc.).

A7: 90 days.

Q8: What percentage of accounts have been pursued by legal means (judgements, garnishments, etc.) by the incumbent?

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A8: None.

Q9: Is there currently a backlog of accounts either residing with the incumbent or ready for referral now? If yes, please provide the volume (# and \$) as well as the age of this backlog volume (i.e., 2 years' old, etc.).

A9: Please refer to Exhibit 1 as attached to this Addendum No. 1, pages 1 and 2, Notes.

Q10: What collection activities are taken/pursued by the City on cases prior to referral?

A10: Utilities – These are terminated accounts. The City mails a final bill, followed in 30 days by a letter, followed in 60 more days by referral to Agency.

Court – At such time that the named party does not appear in court, the City sends a failure to appear notice. After 30 days, the Court notifies the State, followed in 45 to 60 days by referral to the Agency.

Q11: With what frequency will the City provide account/balance updates to the contractor (i.e. daily, weekly, etc.)?

A11: Monthly.

Q12: How long will the agency/contractor work/keep the account, once referred?

A12: For the term of the award.

Q13: Please confirm that the agency is to submit only one (1) original, hard-copy of the proposal.

A13: Please refer to Instructions to Proposers, p. 2, provision no. 9.

Q14: Page 3, Section 10(k) Titled “Confidential and/or Proprietary Trade Secrets” in the Request for Proposal Document: This section clearly states that all submittals are subject to public disclosure and shall not contain any confidential and/or proprietary information or trade secrets; however, Page 7, Section 11.3.3.7 asks for copies of audited financial statements, which are not public record for private companies. These two sections are contradictory and financial statements are protected under the following statutes/regulations: Tennessee Open Records Act (§10-7-503 et seq.) and The Tennessee Uniform Trade Secrets Act (§§ 47-25-1701 through 47-25-1709) which provide exemptions for “Trade secrets or proprietary information submitted by a bidder, offeror or contractor in connection with a procurement transaction or prequalification application submitted..., shall not be subject to the Tennessee Open Records Act (§10-7- 503 et seq.)”. As such, how should the bidders provide or present its CONFIDENTIAL/PROPRIETARY financial records while still complying with Section 10(k) and ensuring that its trade secrets/financial data is not publicly disclosed?

A14: The answer to Q14 is forthcoming in a subsequent addendum.

Q15: Page 5, Section 11.2.2 of the Request for Proposal document: Please define what the City means by ‘local’ government? Does that mean local to the State of TN, Local to the City of Franklin or does this simply reference work with other municipalities?

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- A15: “Local” in this context means any county or municipal government.
- Q16: Page 5, Section 11.2.2 of the Request for Proposal document: Is a local presence (either in the City or the State of TN) mandatory to submit a proposal?
- A16: Such a local presence is not required by the City.
- Q17: Page 6, Section 11.3.1 (Cost of Collection & Pricing) of the Request for Proposal Document: The three subsections (11.3.1.1, 11.3.1.2 & 11.3.1.3) all ask for a breakdown of the cost to collect, including fees to be charged for each delinquent account. Please clarify the intention of this cost breakdown, as in most collection service projects, the fee/pricing is a contingency rate (percentage of dollars collected) as opposed to a flat fee per account cost. All costs to collect are covered under the contingency rate pricing model; therefore, the individual flat costs are irrelevant and not invoiced back to the City. Is it necessary to provide the City with this breakdown or should the bidders simply quote its single contingency rate that it would charge for all services?
- A17: Per Franklin Municipal Code for Municipal Court, collection agency service fees can be up to 40% of the sum collected. The City would like this to be consistent with the collection of other debts. The proposal should indicate fees/pricing that does not exceed this percent. Proposals must indicate the method of fee calculation. The City will give preference for calculating collection fees in keeping with the following examples: If a collection of \$140 is made on a \$100 debt and the collection fee is 40%, the City would receive \$100 and the collection agency \$40. If a partial collection of \$70 is made on a \$100 debt and the collection fee is 40%, the City would receive \$50 and the collection agency \$20.
- Q18: Page 6, Section 11.3.1.2 of the Request for Proposal Document: Does the City intend to have the bidder add its collection rate/fee onto the debtor’s balance?
- A18: Yes, but please refer to A17 above.
- Q19: Page 6, Section 11.3.1.3 of the Request for Proposal Document: Is it a mandatory requirement that the bidder have current, municipal clients in TN? What weight or point value is given to this requirement in the evaluation process?
- A19: The following answer assumes the question is referring to provision 11.3.3.3 of the Request for Proposals rather than 11.3.1.3. Proposers are not required to have municipal clients in Tennessee. Please refer to provision 11.4 of the Request for Proposals for the proposal evaluation criteria pertaining to this procurement solicitation.
- Q20: Page 8, Section 11.4.4 of the Request for Proposal Document (Knowledge & Experience in collection of Subrogation & Tort Claims): Is this section relevant to the RFP, as the City clearly states in Section 11.22.1 (Page 12 of the RFP Document) that the City has no delinquent accounts except Utilities & Court? How many subrogation & Tort claim accounts did the current vendor handle under the existing contract? Typically, subrogation & Tort claims are handled under legal services. Does the City intend to also allow for and contract said legal services?

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- A20: The answer to Q20 is forthcoming in a subsequent addendum.
- Q21: Page 8, Section 11.4.6 of the Request for Proposal Document (...costs to be borne by the City and obligor for funds collected): Please refer to Q17 above. If the bidders are submitting a single contingency rate for any dollars collected, then there would only be that fee and no other costs for the City or the Obligor. How would you like the bidder to respond to this section?
- A21: In this contingency based contract, your comment above is correct. You may respond as “Not Applicable”.
- Q22: Page 8, Section 11.6 of the Request for Proposal Document (Cost of Collection): This section seems to be repetitive of Sections 11.3.1 and 11.4.6, etc. Please advise why and how the bidder should calculate the cost of collection for each account other than simply proposing a single contingency percentage/rate? We do not believe this breakdown is applicable to this type of service contract. Please advise.
- A22: Please refer to A17 above.
- Q23: Page 9, Section 11.10 of the Request for Proposal Document (Recalled by the City): This section states that if an account is recalled for the listed reasons that the service provider shall not be compensated. Does this include any legal costs that have already been paid, up-front by the agency? In that scenario, would the service provider be eligible to receive reimbursement for direct costs (filing fees, etc.)?
- A23: It is not expected that the agency would incur filing fees.
- Q24: Page 9, Section 11.10.3 of the Request for Proposal Document (Recalled by the City): Please define ‘first correspondence’. Does that mean the date the first letter was mailed? If yes, what about those scenarios whereby the service provider contacted (via telephone) the obligor and secured payment but the first correspondence has not gone out yet. Please advise if the City would be amenable to compensating the service provider if it can be shown that ANY action was taken prior to the payment, regardless of the correspondence date.
- A24: The requested change is not seen as a material change in the logic or intent of the section. It should stand as written.
- Q25: Page 3, Section 11 of the Instructions to Proposers Document: This section lists all the required proposal content. Please advise if the City expects that for Item b that the service provider should respond to Items 11.1 thru 11.3 in the Request for Proposal Document. It is unclear exactly which sections (other than the forms) that the City requires a direct response. Please advise.
- A25: Provision 11.b of the Instructions for Proposers requests a “detailed vendor-supplied description of proposed product(s) and/or service(s).” The responsive proposer will include a detailed description of the systems, methods and program of products and services it proposes and is included in the pricing it proposes.
- Q26: Page 3, Section 11(f) of the Instructions to Proposers Document: In this section as well as others throughout the RFP, the City asks for the Vendor’s proposed

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agreement. If the Vendor does not have a proposed agreement and is willing to accept the one provided by the City, then how would you like us to respond or notify you of that fact? Should we simply state that we are not proposing an agreement and therefore no contract sample has been enclosed? Or, can we simply exclude this form [from] our response and the City will know that we are not proposing a different agreement?

A26: Either of the described responses would be acceptable to the City.

Q27: Proposal Submittal Form, Page 2 of 2: In the first box, second bullet, the City asks for a list of any exceptions. If we have none, do we need to state that somewhere? Or by the sheer absence of any exceptions, does that suffice to meet the City's requirements? The same question for bullet 5 in this section/box.

A27: As to exceptions, please refer to p. 1 of the Proposal Submittal Form, third and fourth provisions. As to vendor terms and conditions, please refer to A26 above.

Q28: Procurement Agreement: Is this document for information only or is the bidder required to complete and submit with its proposal?

A28: Information only. Please refer to provision 11 of the Instructions for Proposers for a list of what is to be included in the proposal and provision 16 of the same document for a list of other documents to be required of successful proposer. The Procurement Agreement is listed in provision 16, item e.

Q29: What is the bad debt for?

A29: Unpaid City Court Citations and Unpaid City Utility Bills.

Q30: Are you using an agency now?

A30: Yes.

Q31: If so, how many accounts per month and what is the average dollar amount?

A31: Please refer to Exhibit 1 as attached to this Addendum No. 1, pages 1 and 2.

Q32: Why is the contract out to bid at this time?

A32: The previous agreement has expired.

Q33: What type of collections is this?

A33: Contingency fee.

Q34: What estimated or actual dollars were paid last year, last month, or last quarter to any incumbents?

A34: Please refer to Exhibit 1 as attached to this Addendum No. 1, pages 1 and 2.

Q35: Will accounts be primary placements, not having been serviced by any other outside collection agency, and/or will you also be referring secondary placements? If so, should bidders provide proposed fees for secondary placements also?

A35: It may include both primary and secondary placements. Please consider each/both in your proposal.

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Q36: What collection attempts are performed or will be performed internally prior to placement?

A36: Please refer to A10 above.

Q37: Will the selected vendor be allowed to litigate balances exceeding a certain dollar amount on your behalf, with your explicit approval?

A37: The answer to Q37 is forthcoming in a subsequent addendum.

Q38: What is the total dollar value of accounts available for placement now by category, including any backlog?

A38: Please refer to Exhibit 1 as attached to this Addendum No. 1, pages 1 and 2 (please extrapolate an estimate of the backlog based on this Exhibit).

Q39: What is the total number of accounts available for placement now by category, including any backlog?

A39: Please refer to Exhibit 1 as attached to this Addendum No. 1, pages 1 and 2 (please extrapolate an estimate of the backlog based on this Exhibit).

Q40: What is the average balance of accounts by category?

A40: Please refer to Exhibit 1 as attached to this Addendum No. 1, pages 1 and 2 (please extrapolate an estimate of the backlog based on this Exhibit).

Q41: What is the average age of accounts at placement (at time of award and/or on a going-forward basis) by category?

A41: The average age of accounts at time of placement is 90 days.

Q42: What is the monthly or quarterly number of accounts expected to be placed with the vendor(s) by category?

A42: Please refer to Exhibit 1 as attached to this Addendum No. 1, pages 1 and 2 (please extrapolate monthly or quarterly numbers).

Q43: What is the monthly or quarterly dollar value of accounts expected to be placed with the vendor(s) by category?

A43: Please refer to Exhibit 1 as attached to this Addendum No. 1, pages 1 and 2 (please extrapolate monthly or quarterly values).

Q44: What has been the historical rate of return or liquidation rate provided by any incumbents(s), and/or what is anticipated or expected as a result of this procurement?

A44: Please refer to Exhibit 1 as attached to this Addendum No. 1, pages 1 and 2, lines I and J.

Q45: If applicable, will accounts held by any incumbent(s) or any backlog be moved to any new vendor(s) as a one-time placement at contract start up?

A45: There will be a one-time placement of accounts - Please refer to Exhibit 1 as attached to this Addendum No. 1, pages 1 and 2, line A.

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Q46: What computer software system do you use to manage your accounts/inventory?

A46: The Court software is CTRIS and the Utility Billing software is Infor.

Q47: What is the preferred electronic method (email, SFTP, direct file upload) for sending accounts?

A47: At this time, email is used.

Q48: How should we handle check or money orders? Made payable to?

A48: Your collections by check or money order should be written in a fashion that allows you to negotiate them, with the amount due to the City transferred to City on a monthly settlement basis.

Q49: How should the contractor process electronic payments? Is the contractor permitted to use ACH, credit card, and debit card?

A49: Yes, if the transaction cost is absorbed by the contractor.

Q50: How many contracts does the client intend to award?

A50: Please refer to A1 above.

Q51: Is there a backlog of accounts? If so, should agencies expect an initial one-time drop?

A51: Please refer to Exhibit 1 as attached to this Addendum No. 1, pages 1 and 2, General Note.

Q52: What collection activity is performed internally by the client before an account is referred for collection?

A52: Please refer to A10 above.

Q53: How frequently are accounts referred to agencies (daily, weekly, monthly, quarterly, etc.)?

A53: Monthly.

Q54: Does the client add collection costs to accounts? If so, what documentation does the client have authorizing the addition of such costs?

A54: The agreed upon contingency fee is the only cost to be added to the referred amount.

Q55: If we're located [outside of Tennessee], can we collect for your municipality?

A55: The answer to Q55 is forthcoming in a subsequent addendum.

Q56: Does the City of Franklin have a preference for where collection activity is performed?

A56: The answer to Q56 is forthcoming in a subsequent addendum.

Q57: Will the City of Franklin allow select collection activity to be performed outside of the U.S.?

A57: The answer to Q57 is forthcoming in a subsequent addendum.

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Q58: Will the City of Franklin calculate collection fees, e.g., calculated from the principle or from the principle plus collection costs at time of placement or will the agency be responsible for calculating the collection costs (where applicable)?

A58: The City will refer the principal amount.

Q59: Will the City of Franklin provide a compiled list of questions submitted by all prospect bidders and the City of Franklin's responses to them to all bidders?

A59: Yes.

Q60: Will the City of Franklin require a Better Business Bureau rating as a component of the collection agency evaluation?

A60: The City reserves the right to use multiple evaluation tools.

Q61: Will the City of Franklin consider the number of complaints listed for a bidder on the CFPB web complaint portal as part of your evaluation criteria? The number of complaints filed against an agency is a significant indicator of how the City of Franklin's consumers will be treated.

A61: The City reserves the right to use multiple evaluation tools.

Q62: Considering the importance of data security, will the City of Franklin make security a prerequisite/requirement in order for an agency to be awarded a contract?

A62: Yes.

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10. Acknowledge receipt of addendum: Proposers shall acknowledge receipt of this addendum on the Proposal Submittal Form in the space to the right of the text on that form that reads, "Receipt acknowledged of any and all issued addenda to this solicitation."
11. Questions, requests for clarifications, and requests to revise the procurement solicitation; addenda: To ask questions, to request clarifications about any aspect of this procurement solicitation, or to request revisions to the procurement solicitation prior to the deadline for optional submittal in writing of questions seeking to revise or clarify any aspect of the procurement solicitation, please contact:

City of Franklin Purchasing Office
Franklin City Hall, Suite 107
109 3rd Ave. South
Franklin, TN 37064
purchasing@franklinton.gov
Tel: 615/550-6692
Fax: 615/550-0079

Depending upon the inquiry, the City may request that the question, request for clarification, or request for revision be submitted in writing, whereupon the City may choose to announce the inquiry and the City's response thereto.

12. Communication with City during procurement phase: Any questions about either the content of or the procurement process pertaining to this procurement solicitation should be addressed as described above. Until the procurement award has been made, vendors shall not communicate about either the content of or the procurement process pertaining to this procurement solicitation with any official, employee or other representative of the City except through the City's Purchasing Office. The City reserves the right to disqualify any vendor that initiates unauthorized communication with the City during the procurement phase.

City Court			
	2016	2017	
Total Number of Accounts on Referral (approx) (Age Range from 60 Days to 60 Mos)	1,000	1,000	A
Referred for Collection for Calendar Year			
Count	129	57	B
Amount	\$ 27,754.25	\$ 12,402.00	
Average	\$ 215.15	\$ 217.58	C
Collection Results			
Count	38	42	D
Collected by Agency	\$ 3,695.85	\$ 4,442.50	
Collection Fee	\$ 739.17	\$ 888.50	
Paid to City	<u>\$ 2,956.68</u>	<u>\$ 3,554.00</u>	
Count	104	127	E
Collected by City	\$ 17,044.12	\$ 18,243.60	
Collection Fee	\$ 3,408.82	\$ 3,648.72	
Paid to City	<u>\$ 13,635.30</u>	<u>\$ 14,594.88</u>	
Count	142	169	F
Total Collected	\$ 20,739.97	\$ 22,686.10	G
Total Fee	\$ 4,147.99	\$ 4,537.22	H
Net to City	<u>\$ 16,591.98</u>	<u>\$ 18,148.88</u>	
Annual Collected Accounts as a percentage of current year referrals	110%	296%	I
Annual Collected Accounts as a percentage of total referrals	14%	17%	J

General Note:

At the time of contract, the City will transfer the accounts listed above in Row A, plus a 12 month backlog of first time City Court account referrals.

Please consider this updated schedule as a replacement of the Historical Metrics included in provision 11.22 of the City's Request for Proposals.

Utility Billings

	2016	2017	
Total Number of Accounts on Referral (approx) (Age Range from 60 Days to 60 Mos)	800	800	A
Referred for Collection for Calendar Year			
Accounts	274	234	B
Amount	\$ 72,739.45	\$ 53,589.23	
Average	\$ 265.47	\$ 229.01	C
Collection Results			
Count	52	62	D
Collected by Agency	\$ 5,228.25	\$ 8,563.21	
Collection Fee	\$ 1,045.65	\$ 1,712.64	
Paid to City	<u>\$ 4,182.60</u>	<u>\$ 6,850.57</u>	
Count	44	27	E
Collected by City	\$ 11,366.33	\$ 6,710.70	
Collection Fee	\$ 2,273.27	\$ 1,342.14	
Paid to City	<u>\$ 9,093.06</u>	<u>\$ 5,368.56</u>	
Count	96	89	F
Total Collected	\$ 16,594.58	\$ 15,273.91	G
Total Fee	\$ 3,318.92	\$ 3,054.78	H
Net to City	<u>\$ 13,275.66</u>	<u>\$ 12,219.13</u>	
Annual Collected Accounts as a percentage of current year referrals	35%	38%	I
Annual Collected Accounts as a percentage of total referrals	12%	11%	J

General Note:

At the time of contract, the City will transfer the accounts listed above in Row A, plus a 4 month backlog of first time account Utility Billing referrals.

Please consider this updated schedule as a replacement of the Historical Metrics included in provision 11.22 of the City's Request for Proposals.